DAWN

OPINION

Helpful suggestions

THE Prime Minister's Adviser on Political Affairs, Rana Sanaullah, was not far off the mark during a TV interview on Thursday when he suggested that five actors could resolve Pakistan's long-running political crisis if they were to find common ground. Mr Sanaullah also advised that some confidence-building measures be taken to make this possible, such as the opposition PTI distancing itself from social media campaigns and accounts that denigrate the armed forces and their leadership. This should be welcomed as a positive signal, as should the counter-proposal from the PTI's chief whip in the National Assembly, Malik Amir Dogar. Mr Dogar, apparently reacting to Mr Sanaullah's statement, proposed that the government arrange a meeting between PkMAP chief Mahmood Khan Achakzai, MWM chief Allama Raja Nasir Abbas, and incarcerated PTI leader Imran Khan. "Hopefully, a path will be made," Mr Dogar said. Unlike the rigid preconditions set in the past, these proposals sound more realistic.

Both sides should see what the other is willing to concede in its requirements for dialogue. The PTI has fought a long, damaging narrative war against those it blames for its difficulties. All it is being asked to do now is not aggravate the hostilities it has nurtured and allow for a reduction in tensions. Given that the opposing politicians still have the means to inflict more pain on the party, its leadership and its rank and file, the PTI should see this as a reasonable ask, especially if the possibility of a return to normality is attached to it. On the other side, the government should recognise that the PTI is not asking for much. It has merely asked that two senior politicians who have already signalled their readiness for dialogue be allowed to meet Mr Khan, as they would likely attempt to reason with him.

The stakeholders should appreciate that, after a very long time, there is a possible path forward for both the government and the opposition. They must attempt to resolve their differences through negotiation. There is no question that any dialogue, if it materialises, will prove to be a difficult reckoning for each of the stakeholders involved, as mistakes aplenty have been made. Still, it is important that a serious and committed effort, by politicians on both sides, is made. Pakistan is at a crossroads. Unless a political d tente is reached, there is a significant risk that it may slip into a downward spiral that could culminate in anarchy and economic misery for its millions of inhabitants. Mere stability is not good enough for a country of this size and potential. People have a right to prosper and live in contentment in the land they call home. The country's leadership should consider the welfare of its people. Everything else is irrelevant.

OICCI proposals

THE proposals of the Overseas Investors Chamber of Commerce & Industry, relating to Pakistan's march towards a liberal electricity market, do not simply reflect the OICCI's anxiety over the way reform is being executed. They also test the government's willingness to transition to a robust Competitive Trading Bilateral Contract Market and power-wheeling framework. They expose a disconnect between reform aims and execution, and a power sector hampered by lack of regulatory clarity, transparency, predictable pricing and credible market institutions. It is this disconnect that worries investors. Their anxiety is reflected in OICCI's insistence for "actionable reforms", as poorly planned and badly executed liberalisation, marked by opaqueness, weak institutional capacity and policy reversals, will further erode investors' trust while constraining competitiveness.

At the centre of the proposals is the demand for a cost-effective and transparent wheeling framework, with charges unbundled into clearly defined transmission, distribution, system operations and system loss components. This must restore price predictability for long-term contracts. Another proposal calls for the gradual expansion of the wheeling allocation based on improvements in grid performance, settlement efficiency and regulatory readiness. Premature scaling in a struggling system risks destabilising Discos' finances and undermining market confidence. Charges must balance investor affordability with the financial sustainability of Discos and the broader power sector. Excessive wheeling costs will blunt competitiveness, while under-recovery will result in surcharges. Equally crucial for success is grid modernisation. Yet another important proposal concerns integration of climate and trade considerations into power reforms. Facilitating green bilateral contracts under CTBCM would allow foreign and export-oriented investors to access renewable electricity and manage carbon exposure. In this context, electricity market reform is more than an energy policy issue; it becomes an export survival strategy. The proposals also stress a single-window, time-bound regulatory approval framework across government institutions, without which even well-designed market reforms risk failure. They offer the authorities the choice of either pursuing rules-based liberalisation or continuing with piecemeal reforms that impede investment.

Dangerous celebrations

EACH New Year's Eve, as fireworks light the sky in much of the world, Pakistan witnesses a darker ritual. Bullets are fired into the air and return to earth with lethal consequences. This new year, in Karachi alone, at least 28 people, including a one-year-old, were injured by stray bullets during celebratory aerial firing. These are not freak accidents but predictable outcomes of a violent practice that has become normalised in our public life. A society that marks joy with gunfire must confront what that says about itself. Celebration should unite communities, not terrorise them. Yet every year, families spend the first hours of the new year rushing loved ones to emergency wards, praying that a random bullet has not permanently altered their lives.

Guns should not be symbols of festivity when they are instruments of death. That their use has become routine on national holidays and religious occasions reflects how casually violence has seeped into social expression. Warnings from police officials and appeals by public figures, have clearly not been enough. Innocent citizens, sleeping, walking, or standing on rooftops, continue to pay the price for reckless thrills. Normalising such behaviour erodes claims to civic responsibility and reveals a troubling indifference to human life. Responsibility lies with the state to move beyond ritual condemnation and take sustained, visible action. Laws against aerial firing exist, but enforcement is weak. Penalties must be strengthened, prosecutions made swift, and offenders punished. Investment in modern surveillance is critical, including expanded CCTV coverage, to identify perpetrators rather than relying on chance arrests. Enforcement, however, cannot work in isolation. A sustained mass awareness campaign is needed through public advertisements, schools and TV programming that shows the human cost of celebratory gunfire. A new year should begin with hope, not hospital admissions.

BY SAKIB SHERANI

Trapped in sham austerity

Pakistanis have been crushed by fiscal austerity while the ruling elite has never had it better.

SINCE 2022, the installed government has imposed, under the watch of the IMF, a crushing burden on ordinary Pakistanis via austerity policy. A large fiscal adjustment has been carved out through massive taxation and cuts in subsidies instead of any hint of restraint in spending by the government either on itself or on its constituents and backers. On the contrary, the spending valves have been opened like never before. Discretionary expenditure has skyrocketed, much of it 'pork barrel' in nature, with public funds being lavishly used for patronage and cementing loyalties towards the making of a new political order.

In the process, the entire burden of adjustment has been placed on ordinary Pakistanis and tax-compliant firms. As a result, the country is experiencing permanent economic 'scarring', with businesses shutting down, unemployment surging, and nearly one out of every two Pakistanis now estimated to be below the poverty line. Even the country's farmers have not been spared, with rural poverty now estimated to be significantly higher than the rest of the country. Worse, the IMF's orthodoxy is set to consign Pakistan to a low-growth trap for years.

An examination of public finances since 2022 is revealing. A cumulative fiscal adjustment of 5.5 per cent of GDP has taken place, the largest over a similar period in Pakistan's history. Much of this adjustment has come from new taxation measures. The government has imposed taxes and levies totalling over Rs50.4 trillion since 2022-23 (including federal as well as provincial taxes and the petroleum levy). This is equivalent to the cumulative tax collection over the 17-year period prior to 2022. Repeating the past pattern of failure, the additional taxation has not come through tax broadening but by placing demands on existing taxpayers.

At the same time, while the government has been imposing unprecedented levels of predatory taxation, it has been unable or unwilling to rein in its spending. Overall government expenditure (centre and provinces combined) has increased 60 per cent in nominal terms between FY2023 and 2026. Non-interest expenditure has ballooned 70pc during this period.

Much of the increase in government expenditure has been in the form of political favours and patronage — large increases in salaries, allowances and pensions for the civil and military bureaucracy, parliamentarians, and the judiciary, in addition to allocation of generous discretionary funds for MNAs and MPAs. Pork barrel-ridden 'development' spending, a surrogate way of handing out taxpayer money to ruling coalition politicians, has surged from Rs 1.9 trillion in 2022-23 to a budgeted Rs 3.1tr in 2025-26, inclusive of federal PSDP and provincial ADPs.

Expenditure on new fleets of cars, all-paid overseas trips for embarrassingly large delegations to different parts of the world, lavish spending on offices and official residences, etc, is on top of the foregoing. Personnel-related expenditure (salaries, allowances and pensions of the civil bureaucracy and military) alone has shot up from Rs 3.7tr to Rs 5.9tr in the past four years, cumulatively accounting for 38pc of the taxes squeezed from the economy over this period.

The massive increase in government spending on its own constituents and institutional backers since 2022 has occurred under the watch of the architect of the fiscal austerity policies — the IMF. Either the IMF is a witting party to this regime-supporting and system-legitimising operation, or it has been completely negligent in its fiduciary responsibility to ordinary citizens of a member country. Either way it should be held accountable.

A key question is whether there was a better alternative to the approach adopted, one that would have placed a lower and more bearable burden on the economy and ordinary Pakistanis. The answer is an unequivocal yes. Spreading the burden of adjustment more widely and more fairly through equitable taxation and non-essential spending cuts would have lessened the hardship.

Unfortunately, the IMF has chosen to turn a blind eye to the government's spending profligacy and unwillingness to broaden the tax base. As a result, the entire burden of adjustment has fallen on the already taxed — salaried individuals, compliant firms, less affluent Pakistanis. Worse, under the IMF's cookie-cutter method, fiscal consolidation is the only way to treat a public debt overhang. This approach to achieve a sustainable public debt level, however, will consign Pakistan to a low-growth trap for years without an exit.

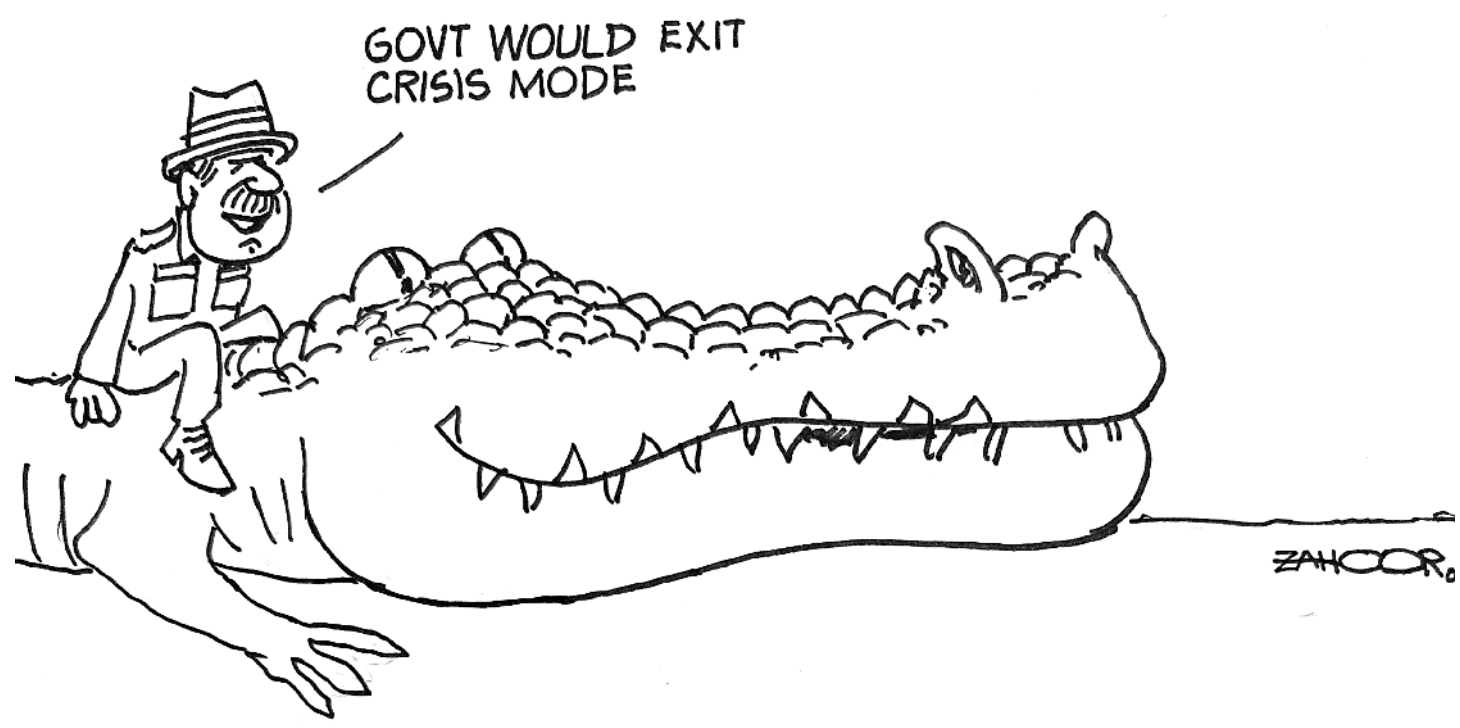
As an illustration, using the standard debt equation, and fairly benign assumptions about economic growth and real interest rates, reaching a targeted level of public debt at 60pc of GDP will require a primary surplus of between 1.4 and 2pc of GDP each year for the next five years. Under the current IMF methodology and forbearance, this primary surplus will be achieved by even more taxation on existing taxpayers.

A singular reliance on fiscal consolidation is precisely the approach 'the troika' took in the case of Greece in the aftermath of the latter's 2009 crisis, with the IMF under Christine Lagarde being a conscientious objector. Recognising that without significant debt restructuring, Greece's economy and population will suffer catastrophic consequences for decades, the IMF proposed a sovereign debt write-off. However, Germany, as one of the largest creditors of Greece, overruled the idea and insisted on imposing fiscal austerity. The result has been the decimation of the Greek middle class, a dramatic decline in overall per capita income and widespread impoverishment.

To put Greece's fiscal austerity-created misery into context, at its lowest point after the start of fiscal austerity, per capita income had declined by 27pc and only recovered to its pre-crisis level after 16 years.

In our case, the IMF has kept debt restructuring off the table, even though if done right it can provide much-needed fiscal space while reducing the pain and suffering inflicted on citizens. Without a fundamental rethink of the current strategy, and a change in the sham nature of the fiscal austerity being imposed, the economy will continue to be impaired for the long term, while ordinary Pakistanis will continue to suffer needlessly. ■

The writer has been a member of several past economic advisory councils under different prime ministers.



BY NADEEM-UL-HAQUE AND SHAHID KARDAR

Lessons from PIA's privatisation

THE transfer of Pakistan International Airlines (PIA) to private ownership is, on balance, a welcome development. Yet much of the public discussion has focused narrowly on the headline sale price and the promise of improved efficiency, obscuring more fundamental issues. In a recent podcast, we and two other analysts examined the transaction in detail and noted concerns about the post-sale ownership structure, which appears likely to be dominated by Fauji Fertiliser, raising questions about whether this represents genuine privatisation or a form of quasi-nationalisation.

This article steps back from the headlines to distil the broader lessons of the PIA episode. Four reform-related lessons stand out.

First, privatisation did not create the cost; it revealed it. The sale of PIA is being marketed as reform, yet little attention has been paid to the bill already paid by taxpayers to make the sale possible. Before privatisation, the state absorbed the airline's accumulated debt and liabilities — over Rs670 billion (roughly $3bn) — so that a buyer could inherit a cleaner balance sheet.

PIA is not an isolated case. It is simply the most visible example of a systemic failure in how Pakistan governs its state-owned enterprises (SOEs). The common thread linking PIA, the previously privatised banks, and smaller cases such as First Women Bank is not bad luck or exogenous shocks. It is bureaucratic and patronage-protected control exercised through boards of directors that enjoy prestige and perks but face no personal or reputational downside when value is destroyed.

In the private sector, directors pay a reputational price for failure. In Pakistan's public sector, enterprises collapse, losses are socialised, and those who presided over the failure move on — often to another board. Responsibility is ceremonial; accountability is absent. The system signals clearly that oversight failures carry no consequences. In such an environment, delay becomes rational. Hard decisions are postponed because the costs can be shifted to successors, even as the eventual taxpayer bill grows.

This is why privatisation in Pakistan so often appears 'expensive'. The state seeks privatisation not as a timely reform, but as a late-stage exit strategy, after years of misgovernance have already inflicted massive damage. The taxpayer then absorbs these losses to make the enterprise saleable. Privatisation merely exposes the cost; it does not cause it. This absence of reputational damage is not an accident; it is how the system is designed. The central lesson from PIA, therefore, is that the real reform is not the sale itself but fixing the governance structure that allows losses to accumulate without consequence. Without this, Pakistan will repeat the same cycle: failure, bailout, privatisation, amnesia.

Second, privatisation must mean exposure to competition. A genuine transfer to the private sector implies that the enterprise must survive on its ability to compete, without protection, preferential treatment, or recurring subsidies. If the post-privatisation environment continues to shield the firm from competition or quietly socialises losses, the reform is hollow. The test of PIA's privatisation will lie less in ownership and more in whether it is allowed to operate — and fail — like a private firm. In some cases, this will pose a real challenge, for example, the privatisation of Discos.

> The central lesson from PIA is that the real reform is not the sale itself but fixing the governance structure.

Third, most SOEs are simply not privatisable! The vast majority of SOEs are not commercially viable, even if the state were to replicate PIA's template by parking all debt and liabilities in holding companies. The years it took to privatise PIA, and the continuing inability to offload Pakistan Steel Mills, illustrate the point. Prolonged attempts to privatise non-viable entities merely allow losses to accumulate further, eventually to be borne by the taxpayer. For such enterprises, the least costly option is not privatisation but liquidation. Winding them up promptly would stem ongoing losses and avoid compounding the burden on citizens, especially the poor, who ultimately foot the bill.

Fourth, clarity of purpose is essential. Going forward, the state must be explicit about the objective of any privatisation. Is the goal to maximise immediate fiscal receipts, extracting as much money as the market can bear? If so, asset-by-asset disposal may, in some cases, yield higher revenues than selling a going concern. Or is the objective to transfer the enterprise as an operating entity to a buyer with sectoral expertise and a credible track record, which is an inherently more subjective and demanding exercise, particularly in Pakistan's low-trust political economy? The failure to clearly articulate this choice breeds confusion, controversy and mistrust.

Beyond these substantive issues, the PIA privatisation also exposes serious procedural weaknesses. The process was marked by opacity, which is an all-too-familiar feature of our bureaucratic mindset, as well as an abysmally poor communication strategy. There was no publicly available information memorandum that explained the eligibility criteria for bidders; how the reserve price of Rs100bn was determined after cleaning up the balance sheet; the estimated valuation of each asset transferred; how the proceeds would be allocated between the government and the company; the payment schedule for the Rs135bn commitment (between the two-thirds of the amount to be paid earlier and the balance later); or the post-sale obligations and enforcement mechanisms.

Much of this information presumably exists in the sale agreement. If so, there is no justification for not placing it in the public domain. The lack of transparency unnecessarily fuelled speculation and distrust. This could easily have been avoided. A handful of slides published alongside the auction announcement in newspaper ads would have sufficed. These slides could even have been run immediately after the auction results were announced.

Transparency is not a cosmetic add-on. It is essential for building trust in the process, protecting and promoting the credibility of the government and the Privatisation Commission, and supporting the development of capital markets. Without it, even well-intentioned reforms will continue to be viewed with suspicion — often rightly so. ■

Nadeem-ul-Haque is former VC PIDE and deputy chair of the Planning Commission. He is currently director at the think tank Socioeconomic Insights and Analytics. Shahid Kardar is a former governor of the State Bank of Pakistan.

E-Mail: Editorial: editor@dawn.com | Resident Editor (Islamabad): re.isb@dawn.com | Resident Editor (Lahore): re.lhr@dawn.com | Karachi: city@dawn.com | Tel: (021)35670001 | Fax (Edit) (021)35682187 | UAN 111.444.777 (Management) (021)35683188, (Advt): (021) 35683801 | Marketing (Karachi): mktg@dawn.com (021)35613099 | Marketing (Islamabad): mktg.isb@dawn.com (051)2202701-5 | Marketing (Lahore): mktg.lhr@dawn.com (042)111-444-777